ANNUAL STATEMENT 1987

THE ROYAL BANK OF CANADA

Financial Highlights

($ millions)	*1987*	*1986*	*Per Cent Change*
Earnings Data (For the year ended October 31)			
Net Income Before Special Provision for Losses	**$ 541**	$489	10.6%
Return on Average Assets	**.54%**	.50%	8.0
Return on Average Equity	**12.3%**	12.0%	2.5
Net Income (Loss) After Special Provision for Losses	**$(259)**	$489	—
Balance Sheet Data (As at October 31)			
Total Assets	**$102,170**	$ 99,607	2.6
Loans	**69,293**	65,934	5.1
Deposits	**85,811**	84,253	1.8
Debentures	**1,521**	2,068	(26.5)
Capital and Reserves	**4,364**	4,662	(6.4)
Common Stock Data			
Income per Share Before Special Provision for Losses			
Basic	**$ 4.03**	$ 4.05	(0.5)
Fully diluted	**3.83**	3.74	2.4
Income (Loss) per Share After Special Provision for Losses			
Basic	**(2.95)**	4.05	—
Fully diluted	**(2.95)**	3.74	—
Dividends per share	**2.02**	2.00	1.0
Share Price: High	**38.88**	35.25	10.3
Low	**25.63**	27.50	(6.8)
Close – October 31	**27.75**	33.25	(16.5)
Book Value – October 31	**28.40**	34.14	(16.8)
Number of Common Shares Outstanding ('000s) – October 31	**118,005**	106,522	10.8
Number of Shareholders (common) – October 31	**88,814**	89,752	(1.0)

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Notice to Shareholders

The annual meeting of the Common Share Holders of the Bank will be held in Le Grand Salon, Queen Elizabeth Hotel, in the City of Montreal, on Thursday the 14th day of January 1988, at 11 o'clock, a.m.

The annual report, and the proceedings of the annual meeting, will be sent to all shareholders of the Bank in due course.

Dear Shareholder,

We are pleased to send you our 1987 Annual Statement containing the audited financial statements of The Royal Bank of Canada for the year ended October 31, 1987.

This past year surely stands as one of the most turbulent in the Bank's 118-year history. Developments on the international debt front, financial deregulation at home and abroad, extreme volatility in world financial markets, and the increasing complexity of new banking products were some of the major issues confronting us in the past year. Despite these significant challenges, the Bank's core earnings remained strong and, overall, we emerged from fiscal 1987 in a considerably healthier position.

While a detailed analysis of our financial performance appears on the following pages, I would like to review the highlights of the past year's results. Net income for fiscal 1987 was $541 million, an increase of $52 million or 11% from 1986. Basic earnings per share were $4.03 while fully diluted earnings per share amounted to $3.83. Return on assets was .54% and return on common shareholders' equity was 12.3%, in both cases slightly higher than a year ago. The above figures all exclude the impact of a $1.4 billion addition in the third quarter to our general provision for possible losses on country lending. This resulted in an after-tax charge to earnings of $800 million and caused us to report an overall net loss for the year of $259 million.

The Bank's cumulative general provision for country lending now exceeds $2.0 billion, roughly 37% of our related exposure and a level which we feel to be prudent in light of the difficulties facing developing country borrowers.

Despite the adverse impact on our reported net income, the Bank continued to perform extremely well in its main business segments, such as retail banking and treasury operations. In addition to good results generated on the revenue side, significant strides were also made in the important area of expenditure control, as growth in total non-interest expenses was well below last year's level. This improvement stems from a number of cost containment initiatives implemented over the past several years.

As I've already mentioned, the Royal Bank enters fiscal 1988 in a comparatively stronger position. Our decisive action with respect to sovereign lending, recent productivity enhancement initiatives, and an improving credit portfolio must be viewed as positive developments.

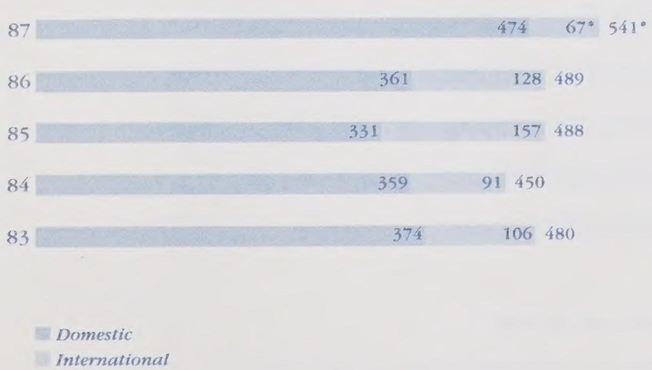
These factors combined with our traditional strengths – a large base of core consumer deposits, one of the world's most extensive branch and electronic banking networks, and a leading position in the generation of fee revenue – lead us to be highly optimistic about future earnings prospects.

Also, shareholders will note that subsequent to fiscal year end, the Bank announced its intention to purchase 75% of Dominion Securities Limited, Canada's leading securities dealer. We are excited about the opportunities and potential rewards which this acquisition will provide. This initiative significantly broadens the range of financial products the Bank can offer to its corporate and consumer clients, thus reinforcing our position as Canada's leading financial services enterprise.

Sincerely,

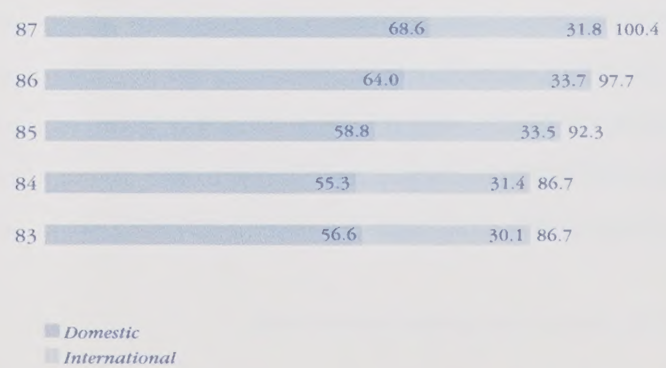
Allan R. Taylor
Chairman and Chief Executive Officer
December 1, 1987

Net Income
($ millions)



*before special provision for losses on country lending

Average Total Assets
($ billions)



Earnings Overview

In fiscal 1987, the Bank recorded net income of $541 million, before a special provision for losses on country lending. This is an increase of $52 million or 11% from 1986 and reflects strong results in such core business segments as mortgage and consumer lending, retail deposit services, and treasury operations. However, an after-tax charge to earnings of $800 million in the third quarter – stemming from a substantial addition of $1.4 billion to the Bank's general provision for possible losses on loans to a group of 34 financially troubled countries – caused the Bank to report a net loss for the year of $259 million or $2.95 per common share.

Excluding the special loss provision, basic earnings per share in fiscal 1987 were $4.03, down marginally from a year ago, while fully diluted earnings per share rose $0.09 to $3.83. Return on assets was .54%, up 4 basis points from 1986. Return on shareholders' equity, after payment of dividends on preferred shares, was 12.3% versus 12.0% last year.

Net income from Domestic operations reached a record $474 million in 1987, rising $114 million or 32% from 1986. Strong performances in retail banking and treasury operations were the principal reasons for this improvement. Return on assets climbed 13 basis points to .69%.

International earnings, before the special loss provision, amounted to $67 million, a decline of $61 million or 48% from the previous year. This deterioration resulted from the impact of Brazil's suspension of interest payments on major portions of its external debt (which served to reduce International earnings by $55 million after tax), as well as lower revenues from International investment banking. These negative developments were partially offset by a $43 million after-tax gain on the sale of the premises of the Bank's former main branch in London, England. Return on International assets fell from .38% to .21%.

Asset Growth

At year-end 1987, total assets stood at $102.2 billion, an increase of $2.6 billion or 3% from a year ago. As in the past several years, asset growth was strongest in the area of Domestic consumer lending, where mortgages and personal instalment loans increased by $3.1 billion and $700 million respectively, up 24% and 12% from last year. Growth in corporate loans remained sluggish in 1987 as businesses continued to use the capital markets for a large portion of their financing needs. Business loans in Canada rose by $1.5 billion or 6%, while bankers' acceptances increased $1.8 billion or 33%, with the latter largely a result of more favourable pricing in the first half of the year.

These increases were partly offset by the special loss provision (net of income taxes), which served to reduce balance sheet assets by some $800 million. In addition, the Bank lowered its holdings of securities, particularly U.S. Government Treasury bills, by $1.6 billion and reduced its level of deposits with other banks by $1.0 billion. Also, during fiscal 1987 the U.S. dollar fell roughly 6% against the Canadian dollar, and this resulted in a corresponding decrease in the value of the Bank's U.S. dollar-denominated assets.

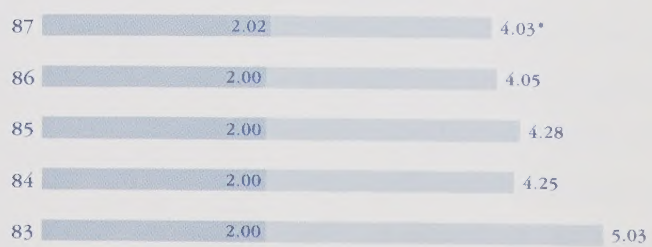
Net Interest Income

Net interest income represents the difference between interest earned on loans and securities and the amount paid on deposits and debentures. For purposes of analysis, this number is adjusted to take into account the tax-exempt status of certain securities. Including this taxable equivalent adjustment, net interest income reached $2,997 million in 1987, $71 million higher than the year before. As a percentage of average assets, the net interest margin was 2.98%, virtually unchanged from a year ago.

Return on Assets
(% of average assets)

*before special provision for losses on country lending

Earnings Per Share
(Basic)
($)



Dividends per Share

*before special provision for losses on country lending

Five Year Highlights of Earnings (as a % of Average Assets)

(taxable equivalent basis)	*1987*	*1986*	*1985*	*1984*	*1983*
Net interest income	**2.98%**	2.99%	2.83%	2.86%	2.80%
Provision for loan losses	**(.84)**	(.84)	(.67)	(.62)	(.52)
	2.14	2.15	2.16	2.24	2.28
Other income	**1.17**	.93	.89	.82	.77
	3.31	3.08	3.05	3.06	3.05
Non-interest expenses	**(2.32)**	(2.22)	(2.11)	(2.08)	(2.01)
	.99	.86	.94	.98	1.04
Income taxes	**(.45)**	(.36)	(.41)	(.46)	(.49)
Return on assets*	**.54%**	.50%	.53%	.52%	.55%
Net Income ($ millions)*	**$ 541**	$ 489	$ 488	$ 450	$ 480
Average total assets ($ billions)	**$100.4**	$97.7	$92.3	$86.7	$86.7
Return on equity*	**12.3%**	12.0%	13.5%	13.8%	16.8%

**before special provision for losses on country lending*

Capital Ratios (as a % of Gross Assets)

	1987	*1986*	*1985*	*1984*	*1983*
Base Capital Ratio	**3.7%**	4.2%	3.7%	3.6%	3.2%
Base Capital Equivalent Ratio	**4.1**	4.7	4.2	4.0	3.7
Adjusted Total Capital Ratio	**5.0**	5.8	5.3	5.0	4.6

The increase from last year in net interest income is entirely attributable to the Bank's Domestic operations. Demand for consumer credit was strong in 1987 and this translated into significant increases in mortgage and personal loan volumes. As well, despite the sharp downturn on world stock markets in mid-October, higher securities gains were registered during the year, reflecting favourable market conditions for most of fiscal 1987. These factors, coupled with higher recoveries of past-due interest on non-accrual loans, resulted in an overall increase of $298 million in Domestic spread. The Domestic net interest margin rose 20 basis points from a year ago, climbing from 3.43% to 3.63%.

This strong performance domestically was significantly offset by a reduction of $227 million in International net interest income. This deterioration in spread was mainly attributable to Brazil's non-payment of interest on the majority of its commercial bank debt and to a weaker performance within International investment banking. The Bank's International margin fell from 2.18% in 1986 to 1.59%.

Credit Quality Review

For the past six years the Royal Bank's financial performance has been adversely affected by high levels of non-performing loans and loan losses. In 1987, despite the firming of world oil prices, certain of the Bank's highly leveraged Domestic energy clients continued to experience acute cash-flow difficulties. Internationally, Brazil's interest moratorium on its medium and long-term commercial bank debt and the substantial additional provisions taken by major banks worldwide underlined the serious problems facing a number of Third World countries in meeting their external obligations.

Despite these adverse developments, there were clearly visible signs by year end that the Bank's loan portfolio quality had improved markedly and that significant reductions in both non-accrual loans and loan losses would be realized in 1988.

Non-performing Loans

Non-performing loans are divided into two separate components, non-accrual loans and renegotiated reduced-rate loans. Non-accrual loans refer to those loans which have been placed on a cash basis (interest income is recognized only when cash is received) because management believes that the collectibility of principal or interest is doubtful. Loans are automatically placed on a cash basis when payment of interest is ninety days past due, except in a few cases where management has determined that the collectibility of interest and principal is not in doubt. Renegotiated reduced-rate loans are those loans which, due to the deterioration in the financial position of the borrower, have been renegotiated to provide for a rate of interest lower than the prevailing market rates on similar loans to new borrowers.

At year-end 1987, the Bank's total non-accrual loans, net of provisions for losses, stood at $1,642 million, down $652 million from a year earlier. Domestic net non-accrual loans totalled $1,146 million, a decline of $421 million from year-end 1986. This decrease was essentially a result of improvements in, and higher provisions recorded against, energy-related accounts. International net non-accrual loans fell from $727 million in 1986 to $496 million at the end of 1987, as a result of improvements in the Bank's U.S.A. and European corporate loan portfolios. The effect of $1.2 billion in newly classified non-accrual loans to Brazil was entirely offset by the increase in the general provision.

The overall net yield on the Bank's non-accrual loan portfolio in 1987 was 1.3% versus 4.2% in 1986.

Renegotiated reduced-rate loans, virtually all of which were to Domestic borrowers, amounted to $88 million, compared with $77 million at the end of the previous year.

Loan Losses

As previously mentioned, a substantial increase of $1.4 billion was made in 1987 to the Bank's general provision for potential losses on loans to a group of 34 financially troubled countries. The Bank began gradually building this general provision four years ago in light of the economic difficulties faced by a number of Third World borrowers. At October 31, 1987, the Royal Bank's general provision totalled slightly more than $2.0 billion, representing approximately 37% of the $5.4 billion owed by these countries. This level of provision falls within guidelines issued by the Canadian regulatory authority and compares very favourably with the level of reserves taken by other international banks.

Aside from the special loss provision for sovereign debt, provisions were also made for possible credit losses on corporate and consumer lending activities. This loan loss experience figure for fiscal 1987 was $900 million. This is an increase of $190 million from the 1986 amount, if last year's $265 million addition to the general provision is excluded.

Domestic loan loss experience was $675 million in 1987, $135 million higher than in the prior year. Approximately one-half of the Bank's Domestic loan losses were concentrated in the energy sector. Excluding the special loss provision, the Bank's 1987 International loan loss experience was $225 million, compared with $435 million a year ago. This decline is primarily due to the exclusion of the general provision from this year's figure.

The provision for loan losses, which is the amount charged to income based on a prescribed five-year averaging formula, amounted to $842 million, up $25 million from 1986. This figure reflects this year's removal from the prescribed averaging formula of those portions of both loan loss experience and eligible loans related to the Bank's special provision for losses on country lending.

Other Income

An increasing share of the Royal Bank's overall revenue is generated from the marketing of a wide variety of fee-based financial products and services for both consumer and corporate clients. Such revenues, referred to as other income, increased 29% to $1,171 million. Higher revenues from foreign exchange activities, loan fees, and securities commissions were responsible for much of the increase from a year ago. In addition, the Bank realized a pre-tax gain of $49 million on the disposal of its former main branch in London, England. The decision to dispose of this property was taken as a result of the completion of RBC Centre, the Bank's new London headquarters, which will house all of the Bank's operations in that city.

Non-interest Expenses

In fiscal 1987, the Bank made good progress in the area of expenditure control as year-over-year growth in total non-interest expenses was reduced to 7.1% from 11.5% in 1986. Staff costs, which account for roughly 60% of the Bank's total non-interest expenses, increased by less than 6% in 1987. This rate of growth reflects general merit increases for employees as well as costs associated with various strategic initiatives and the Bank's network restructuring program.

The Royal Bank possesses Canada's largest network of automated teller machines and is a leading provider of computer-based financial services. In addition, the Bank strives, wherever possible, to utilize advanced technologies to improve efficiency in the delivery of traditional banking products. Not surprisingly, our substantial investment in computers and other technology-related equipment forms a major part of our total premises and equipment costs. In 1987, total premises and equipment costs rose 8% to $408 million.

Other expenses, which are comprised of a wide range of miscellaneous business costs, totalled $592 million, up 9% over 1986. Well over half of the rise in this category stemmed from increases in business and capital taxes and deposit insurance premiums.

QUARTERLY HIGHLIGHTS OF EARNINGS (AS A % OF AVERAGE ASSETS)

(taxable equivalent basis)	*Q4 1987*	*Q3 1987*	*Q2 1987*	*Q1 1987*	*Q4 1986*	*Q3 1986*	*Q2 1986*	*Q1 1986*
Net interest income	**3.04%**	**2.95%**	**3.05%**	**2.92%**	2.95%	2.96%	3.06%	3.02%
Provision for loan losses	**(.81)**	**(.76)**	**(.92)**	**(.88)**	(.89)	(.84)	(.84)	(.77)
	2.23	**2.19**	**2.13**	**2.04**	2.06	2.12	2.22	2.25
Other income	**1.15**	**1.37**	**1.16**	**.99**	.93	.92	.94	.90
	3.38	**3.56**	**3.29**	**3.03**	2.99	3.04	3.16	3.15
Non-interest expenses	**(2.38)**	**(2.30)**	**(2.40)**	**(2.20)**	(2.26)	(2.28)	(2.25)	(2.10)
	1.00	**1.26**	**.89**	**.83**	.73	.76	.91	1.05
Income taxes	**(.45)**	**(.59)**	**(.41)**	**(.38)**	(.28)	(.31)	(.38)	(.47)
Return on assets*	**.55%**	**.67%**	**.48%**	**.45%**	.45%	.45%	.53%	.58%
Net income ($ millions)*	**$ 141**	**$ 170**	**$ 116**	**$ 114**	$ 111	$ 112	$ 125	$ 141
Average total assets ($ billions)	**$101.0**	**$100.5**	**$ 99.0**	**$100.4**	$98.7	$97.8	$97.5	$96.5
Return on equity*	**14.6%**	**14.8%**	**10.0%**	**10.0%**	10.2%	10.5%	12.8%	14.5%

**before special provision for losses on country lending*

FOURTH QUARTER 1987

In the fourth quarter of 1987, the Royal Bank recorded net income of $141 million, up $30 million or 27% from the same three-month period in 1986. Basic earnings per share were $1.03 while fully diluted earnings per share amounted to $0.99, up $0.14 and $0.16 respectively from a year ago. At .55%, return on assets was 10 basis points higher than last year's level.

Quarterly earnings from Domestic operations totalled a record $128 million, an increase of $32 million from the fourth quarter of 1986. This 33% improvement in net income was mainly attributable to continued excellent performances in retail banking and treasury activities.

Relative to last year's fourth quarter, International net income declined $2 million to $13 million. Brazil's continuing interest moratorium on most of its foreign bank debt and lower revenues from investment banking activities were partly offest by an improvement in other income and a reduction in the provision for loan losses.

Other income strengthened considerably in the fourth quarter of 1987, rising $60 million or 26% from the corresponding period in 1986, to $292 million. Higher revenues from foreign exchange, loan fees, and securities commissions were primarily responsible for the increase over last year.

The provision for loan losses was $205 million in the fourth quarter, $17 million below the figure of a year ago.

Quarterly non-interest expenses totalled $606 million, an increase of 7.8% from the same three-month period in 1986. Compared to last year's fourth quarter, higher pension costs and increases in business and capital taxes, as well as in deposit insurance premiums, were major factors behind the rise in expenses. Excluding the above special items, the increase in non-interest expenses would have been 5.6%.

CAPITAL FUNDS

At October 31, 1987 the Royal Bank's total capital funds, which comprise common and preferred shareholders' equity, appropriations for contingencies, and subordinated debentures, stood at $5.9 billion. This is a reduction of approximately $800 million from year-end 1986, and largely reflects the impact of the $800 million after-tax charge to earnings stemming from the special loss provision. This $800 million charge and the repayment of $290 million in maturing debentures were partly offset by $226 million in operating income (after deducting dividends) and $95 million in new common equity raised through the Bank's Shareholder Dividend and Share Purchase Plan.

As a result of the special loss provision, the Bank's capital ratios declined in fiscal 1987, although they still remain within regulatory guidelines. At year-end 1987, the base capital ratio was 3.7%, the base capital equivalent ratio 4.1%, and the adjusted total capital ratio 5.0%. Although these ratios now stand at about the same level as at the end of fiscal 1985, it should be noted that there has been a marked improvement in the risk profile of the Bank's assets over the past few years.

Prior to fiscal year-end, the Bank announced an increase in its quarterly dividend from $0.50 to $0.52 per common share, bringing the annual dividend rate to $2.08 per share. During the year the Bank called for redemption of its 1991 11-1/4% debentures, virtually all of which were converted into common shares. This has resulted in an addition of approximately $260 million to common shareholders' equity and an equivalent reduction in the Bank's outstanding debentures.

It is worth emphasizing that, excluding the impact of the special loss provision, the Bank's internal capital generation improved in 1987, due mainly to higher core earnings and a reduction in the excess of loan loss experience over the provision for loan losses. Given our expectation of improved earnings performance and a substantially lower level of loan losses in the coming years, this positive trend should accelerate.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

These financial statements were prepared by the management of The Royal Bank of Canada. While the form of the financial statements and the accounting policies to be followed are prescribed by the Bank Act and related rules issued by the Superintendent of Financial Institutions, many amounts must of necessity be based on the best estimates and judgments of management.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, written policies and procedures manuals, a written corporate code of conduct and accountability for performance within appropriate and well defined areas of responsibility.

The system of internal controls is further supported by an inspection staff which conducts periodic inspections of all aspects of the Bank's operations. In addition, the Bank's Chief Inspector has full and free access to the Audit Committee of the Board of Directors which oversees management's responsibilities for financial reporting. The Audit Committee is composed entirely of directors who are neither officers nor employees of the Bank.

The Superintendent of Financial Institutions, at least once a year, makes such examination and enquiry into the affairs of the Bank as he feels necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Touche Ross & Co. and Deloitte Haskins & Sells, the independent auditors appointed by the shareholders of the Bank, have examined our financial statements in accordance with generally accepted auditing standards and their report follows. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and their related findings as to the integrity of the Bank's financial reporting and the adequacy of the system of internal controls.

ALLAN R. TAYLOR
Chairman and Chief Executive Officer

A. H. MICHELL
Vice-Chairman

AUDITORS' REPORT

To the Shareholders, The Royal Bank of Canada

We have examined the consolidated statement of assets and liabilities of The Royal Bank of Canada as at October 31, 1987 and the consolidated statements of income, appropriations for contingencies and changes in shareholders' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Bank as at October 31, 1987 and the results of its operations for the year then ended in accordance with accounting principles prescribed by the Bank Act applied, except for the method of accounting for the special provision for losses on country lending as explained in note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
DELOITTE HASKINS & SELLS
Chartered Accountants

Montreal, December 1, 1987

(in thousands of dollars)	***Year Ended October 31, 1987***	*Year Ended October 31, 1986*
Interest Income		
Loans	**$6,563,507**	$6,922,343
Lease financing	**96,999**	65,969
Securities	**785,403**	855,902
Deposits with banks	**881,495**	1,093,924
	8,327,404	8,938,138
Interest Expense		
Deposits	**5,304,441**	5,975,869
Bank debentures	**135,644**	172,297
Other	**42,409**	37,975
	5,482,494	6,186,141
Net Interest Income	**2,844,910**	2,751,997
Provision for loan losses *(note 2)*	**842,000**	817,000
Net Interest Income After Provision for Loan Losses	**2,002,910**	1,934,997
Other income	**1,170,745**	904,378
Net Interest and Other Income	**3,173,655**	2,839,375
Non-Interest Expenses		
Salaries	**1,212,205**	1,147,233
Pension and other staff benefits	**115,037**	107,249
Premises and equipment, including depreciation	**407,970**	377,197
Other	**591,923**	540,841
	2,327,135	2,172,520
Net Income Before Income Taxes	**846,520**	666,855
Income taxes *(note 3)*	**302,000**	175,000
Net Income Before Minority Interests	**544,520**	491,855
Minority interests in subsidiaries	**3,206**	2,965
Net Income Before Special Provision for Losses	**541,314**	488,890
Special provision for losses on country lending net of income taxes *(note 2)*	**800,000**	—
Net Income (Loss) After Special Provision for Losses	**$ (258,686)**	$ 488,890
Income (Loss) per Share *(note 4)*		
Before Special Provision for Losses		
Basic	**$4.03**	$4.05
Fully diluted	**$3.83**	$3.74
After Special Provision for Losses		
Basic	**$(2.95)**	$4.05
Fully diluted	**$(2.95)**	$3.74

(in thousands of dollars)	***October 31, 1987***	*October 31, 1986*
ASSETS		
Cash Resources		
Cash and deposits with Bank of Canada	**$ 1,321,815**	$ 1,385,701
Deposits with other banks	**12,488,159**	13,522,326
	13,809,974	14,908,027
Securities *(note 5)*		
Issued or guaranteed by Canada	**3,919,760**	3,263,469
Issued or guaranteed by provinces and municipal or school corporations	**89,402**	33,845
Other securities	**4,576,642**	6,946,564
	8,585,804	10,243,878
Loans *(note 6)*		
Day, call and short loans to investment dealers and brokers, secured	**716,419**	971,568
Loans to banks	**1,962,322**	2,439,163
Mortgage loans	**17,156,880**	13,593,157
Other loans	**49,456,918**	48,930,313
	69,292,539	65,934,201
Other		
Customers' liability under acceptances	**7,226,439**	5,437,753
Land, buildings and equipment *(note 7)*	**1,252,962**	1,168,247
Other assets *(note 8)*	**2,002,483**	1,914,459
	10,481,884	8,520,459
	$102,170,201	$99,606,565

(in thousands of dollars)	***October 31, 1987***	*October 31, 1986*
LIABILITIES		
Deposits *(note 9)*		
Payable on demand	**$ 9,183,874**	$ 7,280,967
Payable after notice	**28,113,980**	24,979,659
Payable on a fixed date	**48,513,176**	51,992,645
	85,811,030	84,253,271
Other		
Cheques and other items in transit, net	**412,151**	333,846
Acceptances	**7,226,439**	5,437,753
Liabilities of subsidiaries other than deposits *(note 10)*	**329,488**	425,754
Other liabilities *(note 11)*	**2,496,606**	2,417,179
Minority interests in subsidiaries	**9,757**	9,299
	10,474,441	8,623,831
Subordinated Debt		
Bank debentures *(note 12)*	**1,520,900**	2,067,821
Capital and Reserves		
Appropriations for contingencies	**100,712**	100,712
Shareholders' equity		
Capital stock *(note 13)*	**2,557,208**	2,217,561
Retained earnings	**1,705,910**	2,343,369
	4,363,830	4,661,642
	$102,170,201	$99,606,565

ALLAN R. TAYLOR
Chairman and Chief Executive Officer

JOHN E. CLEGHORN
President

Consolidated Statement of Appropriations for Contingencies

(in thousands of dollars)	***Year Ended October 31, 1987***	*Year Ended October 31, 1986*
Balance at Beginning of Year *(including tax-deductible of nil in 1987; $48,409 in 1986)*	**$100,712**	$100,712
Loss experience on loans *(note 2)*	**(900,000)**	(975,000)
Provision for loan losses included in the Statement of Income	**842,000**	817,000
Transfer from Retained Earnings	**58,000**	158,000
Balance at End of Year *(including tax-deductible of nil in 1987 and 1986)*	**$100,712**	$100,712

Consolidated Statement of Changes in Shareholders' Equity

(in thousands of dollars)	***Year Ended October 31, 1987***	*Year Ended October 31, 1986*
Capital Stock		
Balance at Beginning of Year	**$2,217,561**	$1,839,009
Issue of preferred shares	**—**	150,000
Issue of common shares	**352,195**	230,732
Preferred shares purchased for cancellation	**(5,018)**	(4,510)
Translation adjustment on shares issued in foreign currency	**(7,530)**	2,330
Balance at End of Year	**$2,557,208**	$2,217,561
Retained Earnings		
Balance at Beginning of Year	**$2,343,369**	$2,228,130
Net income (loss) after special provision for losses	**(258,686)**	488,890
Dividends *(note 13)*	**(315,460)**	(280,758)
Gain on preferred shares purchased for cancellation	**201**	147
Transfer to Appropriations for Contingencies	**(58,000)**	(158,000)
Income taxes related to the above transfer *(note 3)*	**—**	86,000
Expenses of share issues net of income taxes *(note 3)*	**(500)**	(3,100)
Unrealized foreign currency translation losses net of income taxes *(note 3)*	**(5,014)**	(17,940)
Balance at End of Year	**$1,705,910**	$2,343,369

(all tabular figures are in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The Royal Bank of Canada are prepared in accordance with accounting principles prescribed by the Bank Act and the related rules issued by the Superintendent of Financial Institutions under the authority of the Minister of Finance, and other prevailing practices of the banking industry. These regulations require the Bank to carry its assets and liabilities on the historical cost basis and to follow the accrual method of accounting.

The accounting principles followed in determining Net Income conform in all material respects with accounting principles generally accepted in Canada except for (i) the deferral of gains and losses on the disposal of debt securities, (ii) the accounting for losses on loans and (iii) the translation of foreign currencies.

The significant accounting policies of the Bank are summarized below:

Basis of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances. The Bank accounts for the acquisition of subsidiaries using the purchase method; any difference between the cost of the investment and the fair value of assets acquired is amortized over appropriate periods varying from 5 to 25 years.

Investments in associated corporations (corporations owned between 20% and 50%) are accounted for using the equity method. The Bank's share of earnings of these associated corporations and gains and losses realized on dispositions of investments in associated corporations are included in income from securities.

Translation of Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing on the balance sheet date; income and expenses are translated at prevailing quarter-end rates.

Foreign exchange trading positions, including spot and forward contracts, are valued monthly at prevailing market rates and the resulting gains and losses are included in "Other income". Realized gains and losses on foreign exchange transactions are also included in "Other income".

Unrealized foreign currency translation gains and losses (net of hedging gains and losses) on investments in foreign branches, subsidiaries and associated corporations are recorded in Retained Earnings. On disposal of such investments, the accumulated net translation gain or loss is included in income.

Securities

Securities comprise investment account and trading account securities as well as loan substitute securities.

Investment account securities are carried at amortized cost. Premiums and discounts are amortized to income using the yield method over the period to maturity of the related securities. Gains and losses realized on disposal of debt securities other than Treasury Bills are deferred and amortized to income over five years. Gains and losses realized on disposal of other investment securities and write-downs to reflect permanent impairment in value are included in income in the period in which they occur.

Trading account securities are carried at estimated current market value. Gains and losses realized on disposal and unrealized valuation adjustments are included in income in the period in which they occur.

Loan substitute securities are accorded the accounting treatment applicable to Loans.

Loans

Loans are stated net of unearned interest and provisions for losses. Specific provisions are established on a loan-by-loan basis to recognize anticipated losses on all types of loans except credit card balances, which are written off when no payment has been received for 180 days. General provisions are made in respect of aggregate exposure in a number of troubled countries based on an overall assessment of the underlying economic conditions in those countries. Aggregate specific provisions and general provisions for losses on loans are increased by new provisions (the "Loss experience on loans") and reduced by loan write-offs net of recoveries. Loans are written off after all reasonable restructuring or collection activities have taken place and the possibility of further recovery is considered to be remote.

The "Loss experience on loans", which in 1987 excludes the "Special provision for losses on country lending" recorded as a direct charge to income as explained in note 2, is charged to "Appropriations for contingencies". The "Provision for loan losses" (based upon a formula prescribed by the Minister of Finance designed to average the loss experience over a five-year period) is charged to income and credited to "Appropriations for contingencies".

Non-performing loans consist of non-accrual loans and renegotiated reduced-rate loans. Non-accrual loans are those placed on a cash basis because there is reasonable doubt regarding the collectibility of principal or interest. Whenever payment of interest is ninety days past due, loans other than credit card balances are automatically placed on a non-accrual basis except in certain instances where management has determined that the collectibility of principal and interest is not reasonably in doubt. Upon classification of a loan to a non-accrual basis any previously accrued but unpaid interest thereon is reversed against income of the current period. In subsequent periods, interest received on non-accrual loans is recorded as income only if management has determined that the loan does not require a specific provision for loss; otherwise interest received is credited to principal. Non-accrual loans are restored to an accrual basis when principal and interest payments are current and there is no longer any reasonable doubt regarding collectibility. Where a portion of a loan is written off and the remaining balance is restructured, the new loan is carried on an accrual basis as long as there is no reasonable doubt regarding the collectibility of principal or interest and interest is not ninety days past due.

Renegotiated reduced-rate loans provide for a rate of interest lower than the prevailing market rates on similar loans to new borrowers.

Loan fees are included in income as received only where they relate to expenses incurred or services performed. Loan rescheduling fees and fees received which are in lieu of interest are deferred and amortized over the term of the loan.

Lease receivables, included in Loans on the Statement of Assets and Liabilities, represent the aggregate remaining lease payments less unearned income. Unearned income, which at the inception of the lease represents the difference between total lease payments receivable and the cost of the leased asset, is amortized to income over the lease term so as to yield a constant rate of return on the declining balance of the lease receivable.

Acceptances

The Bank's potential liability under acceptances is reported as a liability in the Statement of Assets and Liabilities. The Bank's recourse against the customer in the case of a call on these commitments is reported as an offsetting asset of the same amount.

Land, Buildings and Equipment

Land, buildings and equipment are reported at cost and are depreciated principally on the straight-line method over their estimated useful lives as indicated below. Gains and losses on disposal are recorded in income.

Buildings	20 to 50 years
Computer equipment	3 to 10 years
Furniture, fixtures and other equipment	7 to 10 years
Leasehold improvements	term of lease plus first option period

Appropriations for Contingencies

The Bank maintains appropriations for contingencies with respect to possible unforeseen losses on loans (in addition to specific provisions for losses on identified loans and general provisions for losses on lending to troubled countries). Transfers may be made from Retained Earnings to Appropriations for Contingencies and, of such transfers, the maximum amount which may be made on a tax-deductible basis is prescribed in regulations of the Minister of Finance.

Interest Rate Futures and Future Rate Agreements

The Bank uses interest rate futures and future rate agreements in trading activities and to hedge interest rate exposure on assets, liabilities and anticipated transactions.

When used in trading activities, interest rate futures and future rate agreements are marked to market and the resultant gains and losses are recognized in current income.

When used for hedging purposes, gains and losses on interest rate futures and future rate agreements are generally deferred and recognized in income over the expected remaining life of the hedged item.

Interest Rate and Cross Currency Swaps

The Bank enters into interest rate and cross currency swaps as an intermediary between swapping counterparties in order to earn fee income, and as a principal in order to manage interest rate and foreign currency exposure.

When acting as an intermediary, the Bank records fees for arrangement services in income as received.

When acting as a principal, the bank accrues income or expense associated with interest rate and cross currency swaps over the life of the agreements.

Foreign Currency Options

The Bank enters into foreign currency options as a writer in order to earn fee income, and as a purchaser in order to manage foreign currency exposure.

Both written and purchased foreign currency options are marked to market and the resultant gains and losses are recognized in current income. For written options, the maximum gain accrued is equal to the premiums received at inception; for purchased options, the maximum loss accrued is equal to the premiums paid at inception.

Income Taxes

The Bank follows the tax allocation basis of accounting under which income taxes on specific transactions are recorded in the periods in which the transactions are recognized for accounting purposes regardless of when the transactions are recognized for tax purposes. Income taxes comprise amounts applicable to income included in the Statement of Income, to items charged or credited to Retained Earnings, and to the tax-deductible transfers from Retained Earnings to Appropriations for Contingencies. Deferred income taxes accumulated as a result of timing differences are included either in "Other assets" or "Other liabilities" as applicable. In addition, the Statement of Income contains items which are non-taxable or non-deductible for income tax purposes. Such permanent differences cause the income tax provision to be different than it would be based on statutory rates.

Pension Plan

The Bank maintains a defined benefit pension plan which is available to all employees after five years service or at age 25, on a contributory or a non-contributory basis. The plan provides pensions based on years of service, years of contribution, and final average earnings.

An actuarial valuation is performed each year to determine the present value of the accrued pension benefits, based on projections of employees' compensation levels to the time of retirement. Pension fund assets are carried at adjusted market values.

Pension expense consists of the aggregate of (a) the actuarially computed cost of pension benefits provided in respect of the current year's service, (b) imputed interest on the funding excess or deficiency of the plan and (c) the amortization over the expected average remaining service life of employees of (i) the unamortized past service pension contribution existing as at October 31, 1985, the date the current accounting policy commenced (ii) the funding excess or deficiency existing as at the date of the latest actuarial valuation and (iii) any experience gain or loss during the year.

The cumulative difference between the funding contributions and the amounts recorded as pension expense is reflected in "Other assets".

2. Special Provision for Losses on Country Lending

Due to the uncertainties surrounding the collectibility of loans to 34 countries which have been designated as troubled by the Superintendent of Financial Institutions, management determined it necessary to increase the Bank's cumulative general provision for losses on country lending by $1,400,000,000.

In accordance with guidelines issued by the Superintendent of Financial Institutions, the Bank recorded the increase in its general provision in 1987, net of related income taxes of $600,000,000, as a separate charge in the Statement of Income rather than as a charge to "Appropriations for Contingencies". Consequently, this special provision and the loans to which it relates were not taken into account in determining the "Provision for loan losses" under the five-year averaging formula. In 1986, the Bank increased its general provision for losses on country lending by $265,000,000 and this amount was charged to "Appropriations for Contingencies".

Income taxes related to the "Special provision for losses on country lending" have been computed by reference to tax rates expected to be applicable in future years, after taking into account the federal Government's recently announced tax reform proposals.

The cumulative general provision for losses on country lending as at October 31, 1987 amounted to $2,019,000,000, representing 37% of the aggregate outstanding loans to the 34 designated countries.

3. Income Taxes

	1987	1986
The total income taxes for the year are reported in the consolidated financial statements as follows:		
Statement of Income		
Before special provision for losses	$ 302,000	$175,000
Special provision for losses	(600,000)	—
Statement of Retained Earnings		
Transfer to appropriations for contingencies	—	(86,000)
Expenses of share issues	(500)	(3,000)
Unrealized foreign currency translation losses	—	(54,000)
Total Income Taxes	$(298,500)	$ 32,000
The current and deferred income taxes are as follows:		
Current income taxes	$ 95,866	$ 64,933
Deferred income taxes	(394,366)	(32,933)
Total Income Taxes	$(298,500)	$ 32,000
Income taxes in the Statement of Income (before the special provision for losses) are at an effective rate less than the combined federal and provincial statutory income tax rate for the following reasons:		
Combined federal and provincial statutory income tax rate	49.8%	50.4%
Changes in rate resulting from:		
Tax-exempt income from securities, primarily income debentures, term preferred shares and small business bonds	(9.2)	(13.1)
Lower average tax rate applicable to foreign subsidiaries	(5.8)	(11.1)
Other, net	.9	—
Effective income tax rate	35.7%	26.2%

4. Income (loss) per Share

Basic Income (loss) per Share is calculated after deducting preferred dividends of $79,219,000 (1986 – $75,851,113) and is based on the average number of common shares outstanding. The average number of common shares outstanding for the year ended October 31, 1987 was 114,665,259 (1986 – 102,110,394).

Fully Diluted Income (loss) per Share has been calculated on the average number of common shares which would have been outstanding in each year assuming conversion of all convertible securities and exercise of all warrants outstanding as at the beginning of each year or date of issue if later. For purposes of this calculation, adjustments have been made for the after-tax interest on convertible debentures, the dividends on convertible preferred shares and an imputed after-tax return at an appropriate rate on additional funds of $41,992,500 which would be received on the conversion of the second preferred shares series A.

5. Securities

	Maturity					1987		1986	
	Within 1 Year	*1 to 3 Years*	*3 to 5 Years*	*5 to 10 Years*	*Over 10 Years*	*Carrying Amount*	*Estimated Market Value*	*Carrying Amount*	*Estimated Market Value*
Loan Substitute Securities (1)									
Income debentures	$ 19,198	$ 38,730	$ 13,155	$ 13,155	$ 120,000	$ 204,238	$ 204,238	$ 256,500	$ 256,500
Small business bonds	2,159	39,321	74,013	—	—	115,493	115,493	215,644	215,644
Term preferred shares	264,024	313,092	289,993	154,372	45,511	1,066,992	1,066,992	1,472,908	1,472,908
	285,381	391,143	377,161	167,527	165,511	1,386,723	1,386,723	1,945,052	1,945,052
Investment Account Securities									
Issued or guaranteed by Canada and provinces	3,143,934	39,624	266,691	—	—	3,450,249	3,463,670	3,187,703	3,186,693
Other debt	596,042	211,012	448,289	574,937	117,655	1,947,935	1,939,546	3,372,156	3,401,948
Other equity (2)					575,652	575,652	478,704	510,267	509,527
	3,739,976	250,636	714,980	574,937	693,307	5,973,836	5,881,920	7,070,126	7,098,168
Trading Account Securities	498,129	102,491	210,137	186,844	41,298	1,038,899	1,038,899	1,074,482	1,074,482
Securities of Associated Corporations (2)					186,346	186,346	186,346	154,218	154,218
	$4,523,486	$744,270	$1,302,278	$929,308	$1,086,462	$8,585,804	$8,493,888	$10,243,878	$10,271,920

(1) Loan substitute securities have been structured as after-tax instruments rather than conventional loans in order to provide the issuers with a borrowing rate advantage. The securities bear interest at floating rates and are identical in risk and security to bank loans of comparable term.

(2) Securities of associated corporations and other equity securities have no stated term and have been classified under the "over 10 years" column.

6. Loans, net of Provisions for Losses

	1987	1986
Domestic*		
Day, call and short loans to investment dealers and brokers, secured	$ 597,464	$ 858,418
Provinces and municipal or school corporations	97,635	182,608
Lease receivables	615,321	526,652
Consumer instalment loans	6,571,615	5,866,345
Mortgage loans	15,818,102	12,708,717
Other loans	29,301,721	27,757,503
	53,001,858	47,900,243
International*		
Lease receivables	355,945	291,784
Associated corporations	83,672	77,216
Loans to banks	1,711,859	2,284,070
Consumer instalment loans	321,433	450,107
Mortgage loans	1,338,778	884,440
Other loans	12,478,994	14,046,341
	16,290,681	18,033,958
	$69,292,539	$65,934,201

**Domestic loans include all loans booked in Canada, regardless of currency, with the exception of those of the Canadian-based International Money Markets. The loans of this unit, together with loans booked outside Canada, comprise International loans.*

Non-Performing Loans, net of Provisions for Losses (included above)

	1987	1986
Non-accrual Loans		
Domestic	$1,146,208	$1,566,998
International	495,531	726,814
	$1,641,739	$2,293,812
Renegotiated Reduced-Rate Loans		
Domestic	$86,077	$70,639
International	1,823	6,473
	$87,900	$77,112

7. Land, Buildings and Equipment

	1987 Cost	1987 Accumulated Depreciation	1987 Net Book Value	1986 Net Book Value
Land	$ 134,210	$ —	$ 134,210	$ 135,953
Buildings	790,952	173,771	617,181	552,168
Computer equipment	450,586	230,250	220,336	205,408
Furniture, fixtures and other equipment	386,896	248,374	138,522	134,331
Leasehold improvements	238,633	95,920	142,713	140,387
	$2,001,277	$748,315	$1,252,962	$1,168,247

Depreciation expense for the year ended October 31, 1987 was $129,116,000 (1986 – $116,189,000)

8. Other Assets

	1987	1986
Accrued interest	$ 830,523	$ 803,454
Cumulative excess of pension fund contributions over the amounts recorded as expense	66,633	50,349
Deferred income taxes	489,902	95,912
Goodwill	49,314	62,886
Other items, including accounts receivable and prepaid expenses	566,111	901,858
	$2,002,483	$1,914,459

9. Deposits

	Payable on Demand	Payable after Notice	Payable on a Fixed Date	1987 Total	1986 Total
Domestic*					
Deposits by Canada	$ 446,735	$ —	$ 600,000	$ 1,046,735	$ 449,054
Deposits by provinces	57,525	63,791	772	122,088	93,753
Deposits by banks	762,225	66,530	267,221	1,095,976	784,251
Deposits by individuals	957,826	22,157,794	15,518,329	38,633,949	36,959,947
Other deposits	5,199,241	4,588,451	5,701,217	15,488,909	13,168,730
	7,423,552	26,876,566	22,087,539	56,387,657	51,455,735
International*					
Deposits by provinces	—	—	30,633	30,633	113,605
Deposits by banks	418,587	93,321	13,651,882	14,163,790	16,435,022
Deposits by individuals	429,767	914,284	2,552,240	3,896,291	4,070,713
Other deposits	911,968	229,809	10,190,882	11,332,659	12,178,196
	1,760,322	1,237,414	26,425,637	29,423,373	32,797,536
	$9,183,874	$28,113,980	$48,513,176	$85,811,030	$84,253,271

**Domestic deposits include all deposits booked in Canada, regardless of currency, with the exception of those of the Canadian-based International Money Markets. The deposits of this unit, together with deposits booked outside Canada, comprise International deposits.*

10. Liabilities of Subsidiaries Other than Deposits

These liabilities are subordinated in right of payment to claims of the depositors and certain other creditors of the respective subsidiaries.

	1987	1986
RoyLease Limited		
Long-term notes payable in various amounts to 1997 and bearing interest at rates from 8¾% to 11¾%	$305,252	$350,034
The Royal Bank of Canada International Limited		
7¾% DM 100,000,000 bonds	—	52,777
Other subsidiaries	24,236	22,943
	$329,488	$425,754

11. Other Liabilities

	1987	1986
Accrued interest	$1,278,409	$1,198,711
Amounts payable to brokers, dealers and clients, net	94,088	88,636
Dividends payable	79,626	70,112
Obligation under capital leases	125,265	148,225
Unamortized gains on disposal of debt securities	43,981	65,778
Other items, including accounts payable and accrued expenses	875,237	845,717
	$2,496,606	$2,417,179

12. Bank Debentures

The debentures are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank.

In accordance with the formula prescribed in the Bank Act, as at November 1, 1987 the Bank had the capacity to issue an additional $625,000,000 of debentures.

Maturity	*Rate*			*1987*	*1986*
April 7, 1987		(2)		$ —	$ 139,080
June 1, 1987	9%			—	75,000
December 1, 1987	7½%	(1)	Callable	**789**	789
April 1, 1988	9½%	(1)	Callable	**13,847**	16,854
February 15, 1989	10.40%			**75,000**	75,000
November 15, 1990		(3)		**75,000**	75,000
April 15, 1991	7%	(1)	Callable	**2,751**	2,762
July 22, 1991	12%	(4)	Convertible	**100,000**	100,000
December 9, 1991	11¼%	(5)		—	259,629
February 15, 1992	9%	(1)	Callable	**30,248**	31,347
May 15, 1994	10%	(1)	Callable	**32,559**	34,141
December 1, 1994	10%	(1)	Callable	**6,208**	6,669
May 22, 2000	11⅝%	(1),(6)	Callable on or after November 22, 1992	**79,423**	97,530
July 5, 2005		(7)	Callable on or after July 6, 1990	**460,425**	486,780
October 1, 2083		(8)	Callable on or after October 2, 1989	**250,000**	250,000
June 6, 2085		(9)	Callable on or after June 6, 1991	**394,650**	417,240
				$1,520,900	$2,067,821

(1) Subject to sinking fund provisions.

(2) The April 7, 1987 debentures were denominated in U.S. dollars and were carried at the Canadian equivalent of U.S.$100,000,000. These debentures bore interest at a rate equal to the average of the six months LIBOR.

(3) The November 15, 1990 debentures bear interest at a rate of ⅝ of 1% below the Bank's average Canadian prime rate.

(4) The July 22, 1991 debentures are convertible at the option of the holder up to and including July 21, 1991 into Common Shares at a conversion price of $35 per Common Share. These debentures are also convertible at the option of the Bank at a conversion price of $35 per Common Share if the Common Shares have traded at or in excess of certain weighted average prices.

(5) In January 1987, $257,614,000 of the December 9, 1991 debentures were converted into Common Shares at a conversion price of $30 per Common Share, and the balance of $2,015,000 was redeemed.

(6) The May 22, 2000 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $60,375,000.

(7) The July 5, 2005 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $350,000,000. These debentures bear interest at a rate of 1/16 of 1% above LIBOR.

(8) The October 1, 2083 debentures bear interest at a rate of .40% above the 30-day Bankers' Acceptance rate reported by the Bank of Canada.

(9) The June 6, 2085 debentures are denominated in U.S. dollars and are carried at the Canadian equivalent of U.S. $300,000,000. These debentures bear interest at a rate equal to ⅛ of 1% above the average of the three months LIBOR. In the event of a reduction of the annual dividend declared by the Bank on its Common Shares, the interest payable on the debentures is reduced pro-rata to the dividend reduction and the interest reduction is payable with the proceeds from the sale of Common Shares.

Repayment Schedule

The aggregate sinking fund requirements and maturities of the Bank's debentures assuming the earliest possible dates of maturity under the terms of issue are as follows:

Within 1 year	$ 15,659
From 1 to 2 years	84,819
From 2 to 3 years	9,819
From 3 to 5 years	220,272
From 5 to 10 years	63,550
Over 10 years	1,126,781
	$1,520,900

13. Capital Stock

Authorized Capital Stock

Preferred – 50,000,000 First Preferred Shares and 50,000,000 Second Preferred Shares without nominal or par value, issuable in series; the aggregate consideration for which all the First Preferred Shares and all the Second Preferred Shares may be issued shall not exceed $1,250,000,000 in each case.

Common – 250,000,000 shares without nominal or par value provided that the aggregate consideration shall not exceed $3,000,000,000.

	1987		*1986*	
Outstanding Capital Stock	*Number of Shares (in thousands)*	*Amount*	*Number of Shares (in thousands)*	*Amount*
First Preferred				
$1.88 Cumulative Redeemable First Preferred Shares Series A (1)				
Outstanding at beginning of year	5,025	$ 125,623	5,205	$ 130,133
Purchased for cancellation	(201)	(5,018)	(180)	(4,510)
Outstanding at end of year	4,824	120,605	5,025	125,623
$1.45 First Preferred Shares Series B, Cumulative and Redeemable and Convertible when tendered with Common Share Warrants (2)				
Outstanding at end of year	15,000	300,000	15,000	300,000
Floating Rate Cumulative Redeemable First Preferred Shares Series C (3)				
Outstanding at end of year	1,000	100,000	1,000	100,000
U.S.$ Floating Rate Cumulative Redeemable First Preferred Shares Series D (3)				
Outstanding at beginning of year	1,000	139,080	1,000	136,750
Foreign currency translation adjustment		(7,530)		2,330
Outstanding at end of year	1,000	131,550	1,000	139,080
Price Adjusted Floating Rate Cumulative Redeemable First Preferred Shares Series E (4)				
Issued in April 1986 and outstanding at end of year	1,500	150,000	1,500	150,000
Second Preferred				
$2.75 Cumulative Redeemable Convertible Second Preferred Shares Series A (5)				
Outstanding at beginning of year	8,399	209,985	8,399	209,985
Converted into Common Shares	(1)	(22)	—	—
Outstanding at end of year	8,398	209,963	8,399	209,985
Common				
Outstanding at beginning of year	106,522	1,192,873	99,427	962,141
Issued monthly under the Shareholder Dividend and Share Purchase Plan	2,895	94,576	4,090	128,583
Issued in October 1986	—	—	3,000	102,000
Issued on conversion of Preferred Shares	1	27	—	—
Issued on conversion of Debentures	8,587	257,614	5	149
Outstanding at end of year	118,005	1,545,090	106,522	1,192,873
Total Outstanding Capital Stock		$2,557,208		$2,217,561

(1) The Bank has undertaken to purchase in each calendar quarter 48,000 of the First Preferred Shares Series A, if available, at prices not exceeding $25 per share.

(2) 7,500,000 Common Share Warrants are outstanding. Each Warrant entitles the holder to purchase one Common Share at a price of $40 on or prior to June 9, 1988, subject to adjustment in certain events. In addition, each Warrant gives the holder the option to tender two First Preferred Shares Series B, in lieu of cash, in return for one Common Share, subject to adjustment in certain events. After June 9, 1988, the Bank will have the option to redeem the First Preferred Shares Series B at $21 per share reducing by $0.20 per year until June 9, 1993 and thereafter at $20. The Bank may at any time purchase for cancellation First Preferred Shares Series B at a price per share, if purchased at any time on or prior to June 9, 1988, not exceeding $21 and, if purchased thereafter, at a price per share not exceeding the then applicable above-mentioned redemption price. These redemption and purchase for cancellation options are subject to the consent of the Superintendent of Financial Institutions.

(3) The dividends on the First Preferred Shares Series C and D are determined quarterly by applying to Cdn.$100 and U.S.$100 respectively, the greater of (i) 6.67% per annum and (ii) ⅔ of the Bank's average Canadian and U.S. prime rates respectively for stated periods. The First Preferred Shares Series C and D are not redeemable by the Bank prior to June 8, 1989 but thereafter are redeemable at a price per share of Cdn.$100 and U.S.$100 respectively. The Bank may at any time purchase for cancellation First Preferred Shares Series C and D at a price per share, not exceeding Cdn.$100 and U.S.$100 respectively. These redemption and purchase for cancellation options are subject to the consent of the Superintendent of Financial Institutions.

(4) The dividend on the First Preferred Shares Series E is determined monthly and (i) floats in relation to changes in the Bank's average Canadian prime rate, and (ii) is adjusted upwards or downwards based on changes in market trading value. The annual dividend rate applicable to any month will in no event be less than 55%, or greater than 75% of the average prime rate. The First Preferred Shares Series E are not redeemable by the Bank prior to April 30, 1991 but thereafter are redeemable at a price per share of $100. The Bank may at any time purchase for cancellation First Preferred Shares Series E at a price per share not exceeding $100. These redemption and purchase for cancellation options are subject to the consent of the Superintendent of Financial Institutions.

(5) Subject to the Bank's right of conversion, each Second Preferred Share Series A is convertible at the option of the holder up to and including December 8, 1988 into one Common Share upon payment by the holder of $5, being a conversion price of $30 per Common Share, subject to adjustment in certain events. If the Common Shares trade at a price in excess of 125% of the prevailing conversion price for a specified period, the Bank shall have the right, upon notice, to convert the Second Preferred Shares Series A into Common Shares at the prevailing conversion price. No additional payment will be required from the holders of Second Preferred Shares Series A so converted. However, during the notice period, a holder of Second Preferred Shares Series A will continue to have the right to convert, at his option, each Second Preferred Share Series A into one Common Share upon the payment of $5 per share converted. Commencing January 1, 1989 the Bank has undertaken to purchase in each calendar quarter 1% of the shares outstanding as of December 10, 1988, if available, at prices not exceeding $25 per share. The Second Preferred Shares Series A are retractable at the option of the holder on or before November 9, 1988, for redemption on December 9, 1988 at a price of $28.75 per share.

As at October 31, 1987, Common Shares were reserved for possible issuance as follows:	*Number of shares (in thousands)*
– Under the Shareholder Dividend and Share Purchase Plan	5,925
– Upon conversion of the July 22, 1991 debentures	2,857
– Upon conversion of the Second Preferred Shares Series A	8,398
– Upon exercise of the Common Share Warrants	7,500
	24,680

Dividends Declared	*1987*	*1986*
Preferred		
First Preferred		
Series A	**$ 9,231**	$ 9,596
Series B	**21,750**	21,750
Series C	**6,667**	7,102
Series D	**8,906**	9,433
Series E	**9,568**	4,872
Second Preferred		
Series A	**23,097**	23,098
	79,219	75,851
Common	**236,241**	204,907
	$315,460	$280,758

14. Pension Plan

	1987	*1986*
The funding excess as at January 1, 1987 and 1986 is determined as follows:		
Pension fund assets, at adjusted market values	**$1,252,513**	$1,127,170
Actuarially computed present value of accrued pension benefits	**1,012,052**	900,964
Funding excess	**$ 240,461**	$ 226,206
The pension expense (credit) reported in the Statement of Income for the year ended October 31, 1987 and 1986 amounted to:	**$ (8,915)**	$ (1,346)
The cumulative excess of pension fund contributions over the amounts recorded as expense, reported in "Other assets" as at October 31, 1987 and 1986 amounted to:	**$ 66,633**	$ 50,349

15. Commitments and Contingent Liabilities

In the normal course of business the Bank undertakes various commitments and has contingent liabilities which are not reflected in the financial statements. Management does not anticipate any material losses to result from these transactions.

The commitments and contingent liabilities reported below reflect various degrees and types of risks, including credit, interest rate, foreign exchange rate and liquidity risk. The amounts reported represent financial commitments to perform, but do not necessarily reflect the economic risks associated with the commitments.

Many commitments to extend credit do not ultimately involve any outlay of funds to customers and therefore have neither liquidity nor credit risk. Foreign exchange and interest rate contracts, since they generally consist of offsetting commitments, involve limited foreign exchange and interest rate risk to the Bank.

Credit risk is the exposure to loss in the event of non-performance by the other party to a transaction, and is a function of the ability of the counterparty to honour its obligations to the Bank. For all types of foreign exchange and interest rate contracts, only exposures created by movements unfavourable to a customer's foreign exchange or interest rate position create a potential for credit risk. Hence, generally only half of the contract amounts outstanding will be a source of any credit risk at a particular point in time, and then only for an amount equal to changes in foreign exchange or interest rates. The Bank controls all credit risks through credit approvals, limits and monitoring procedures.

Certain foreign exchange and interest rate contracts are entered into by the Bank to reduce the exposure of certain assets and liabilities on the balance sheet to foreign exchange or interest rate risk.

	1987	*1986*
Liquidity Products –		
Guarantees and Standby Letters of Credit (1)	**$ 3,918,879**	$ 3,257,851
Documentary and Commercial Letters of Credit	**2,387,568**	2,292,869
Commitments to Extend Credit (2)	**53,728,635**	42,398,579
Note Issuance Facilities/Revolving Underwriting Facilities	**1,261,295**	1,386,759
Foreign Exchange and Interest Rate Contracts –		
Foreign Exchange Forward Contracts (3)	**158,561,149**	120,119,124
Foreign Currency and Interest Rate Futures	**6,613,915**	5,231,911
Future Rate Agreements	**8,530,993**	2,513,770
Foreign Currency and Interest Rate Options	**652,207**	389,007
Foreign Currency and Interest Rate Swaps	**28,671,083**	16,964,773

(1) Guarantees and standby letters of credit include those to associated corporations of $16,294,000 as at October 31,1987 (1986 – $47,833,000).

(2) Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, bankers' acceptances, guarantees or letters of credit.

(3) Foreign exchange forward contracts represent commitments to purchase foreign currency and Canadian dollars, including undelivered spot transactions.

(4) The above amounts, except for those relating to guarantees and letters of credit, are as at September 30.

Lease Commitments

Minimum future rental commitments for buildings under long-term non-cancellable leases for the next five years are:

1988	$77,825
1989	71,008
1990	64,047
1991	56,370
1992	47,556

Annual rental commitments after 1992 are in decreasing amounts.

Litigation

Various legal proceedings are pending against the Bank and its subsidiaries. Management considers that the aggregate liability resulting from these proceedings will not be material.

16. Domestic and International Operations

The Bank considers its Domestic Operations to include all business transacted in Canada, regardless of currency, with the exception of the Canadian-based activities of International Money Markets. This unit, together with the Bank's business carried on outside Canada, comprise International Operations. While it is not practicable to make a definitive division of its Domestic and International Operations, appropriate allocations are made for (a) the cost of funds related to liquidity and capital computed on the basis of marginal costs of funds, and (b) corporate non-interest expenses.

	Domestic		*International*		*Total*	
	1987	*1986*	*1987*	*1986*	*1987*	*1986*
Net interest income – taxable equivalent basis	**$2,490,124**	$2,192,076	**$506,574**	$733,740	**$2,996,698**	$2,925,816
Deduct: Taxable equivalent adjustment*	**122,258**	147,057	**29,530**	26,762	**151,788**	173,819
Net interest income – financial statement basis	**2,367,866**	2,045,019	**477,044**	706,978	**2,844,910**	2,751,997
Provision for loan losses	**530,000**	445,000	**312,000**	372,000	**842,000**	817,000
	1,837,866	1,600,019	**165,044**	334,978	**2,002,910**	1,934,997
Other income	**799,572**	660,765	**371,173**	243,613	**1,170,745**	904,378
	2,637,438	2,260,784	**536,217**	578,591	**3,173,655**	2,839,375
Non-interest expenses	**1,819,270**	1,685,854	**507,865**	486,666	**2,327,135**	2,172,520
	818,168	574,930	**28,352**	91,925	**846,520**	666,855
Income taxes	**344,000**	214,500	**(42,000)**	(39,500)	**302,000**	175,000
	474,168	360,430	**70,352**	131,425	**544,520**	491,855
Minority interests	**—**	—	**3,206**	2,965	**3,206**	2,965
Net income before special provision for losses	**$ 474,168**	$ 360,430	**$ 67,146**	$128,460	**$ 541,314**	$ 488,890
Average total assets	**$68,600,000**	$64,000,000	**$31,800,000**	$33,700,000	**$100,400,000**	$97,700,000

***The taxable equivalent adjustment represents a credit to interest income in order to gross up the tax-exempt income earned on certain securities (primarily small business bonds, income debentures and term preferred shares) to an amount which, had it been taxable at a rate of 49.8% in 1987 and 50.4% in 1986, would result in the same after tax net income as appears in the financial statements. The gross up of such income to a taxable equivalent basis permits a uniform measurement and comparison of net interest income.**

17. Subsequent Event

On December 1, 1987, the Bank agreed to make an offer to purchase 75% of the shares of Dominion Securities Limited for a consideration of approximately $384,000,000, expected to be paid $128,000,000 in cash and $256,000,000 through the issuance of Bank Common Shares.

As part of the agreement, Dominion Securities will purchase the remaining shares over three years at a price equal to 1.5 times the then book value. A new class of shares will be created by Dominion Securities to permit active employees to purchase at book value up to a 25% equity interest over time.

The transaction is subject to regulatory approval and acceptance by the shareholders of Dominion Securities.

Name	*Principal Office Address*	*Carrying Value of Voting Shares owned by the Bank**	*Percent of Voting Shares owned by the Bank*
Royal Bank Mortgage Corporation	Montreal, Canada	$566,752	100%
RoyLease Limited	Toronto, Canada	65,107	100
Royal Bank Realty Inc.	Montreal, Canada	81,259	100
Globe Realty Management Limited	Toronto, Canada		100
Royal Bank Export Finance Co. Ltd.	Toronto, Canada	4,985	100
Royal Bank Capital Corporation	Toronto, Canada	6,852	100
RoyNat Inc.	Montreal, Canada	31,972	42
Chargex Ltd.	Montreal, Canada		25
RBC Holdings (USA) Inc.	New York, U.S.A.	182,697	100
The Royal Bank and Trust Company	New York, U.S.A.		100
RBC Holdings (Delaware) Inc.	Wilmington, U.S.A.		100
RBC Systems (USA) Inc.	Jersey City, U.S.A.		100
Royal Bank de Puerto Rico	San Juan, Puerto Rico	46,363	100
RBC Servicios Tecnicos C.A.	Caracas, Venezuela	90	100
The Royal Bank of Canada (Middle East) S.A.L.	Beirut, Lebanon	42	55
RBC Australia Holdings Limited	Sydney, Australia	98,110	100
National Mutual Royal Bank Limited	Melbourne, Australia		50
RBC Australia Finance Limited	Sydney, Australia		50
RoyAust Management Limited	Sydney, Australia		50
Capel Court Corporation Limited	Melbourne, Australia		50
National Mutual Royal Savings Bank Limited	Melbourne, Australia		50
The Royal Bank of Canada (Asia) Limited	Singapore	144,993	100
The Royal Bank of Canada Representacoes S/C Ltda.	São Paulo, Brazil	395	100
Royal Bank (Barbados) Financial Corporation	Bridgetown, Barbados	593	100
R.B.C. Bay Street Properties Limited	Nassau, Bahamas	453	100
R.B.C. Bahamas Limited	Nassau, Bahamas	713,571	100
Favourable Investments Inc.	Hong Kong		25
Canadian Overseas Development Company Limited	Hong Kong		25
RBC International Insurance Company Ltd.	Bridgetown, Barbados		100
The Royal Bank of Canada International Limited	Nassau, Bahamas		100
R.B.C. Investments Limited	Nassau, Bahamas		100
Finance Corporation of Bahamas Limited	Nassau, Bahamas		75
The Royal Bank of Canada (Barbados) Limited	Bridgetown, Barbados		100
RoyMidEast Limited	George Town, Grand Cayman		100
RoyCan International Banking Limited	Nassau, Bahamas		100
China Investment and Finance Limited	Hong Kong		50
Banco Royal Colombiano	Bogotá, Colombia	3,207	49
Banco Royal do Canada (Brasil) S.A.	São Paulo, Brazil	30,375	100
Ouvidor Industria E Comercio Ltda.	Rio de Janeiro, Brazil	1	100
Multinational Orion Leasing Holdings N.V.	Amsterdam, Netherlands	605	100
Orion Export Leasing Limited	George Town, Grand Cayman		100
Orion Leasing Nederland B.V.	Amsterdam, Netherlands		100
Orion Leasing Singapore Pte. Limited	Singapore		100

**The carrying value (in thousands of dollars) of voting shares owned 20% or more by the Bank is stated at the Bank's equity in such investments.*

Name	*Principal Office Address*	*Carrying Value of Voting Shares owned by the Bank*	*Percent of Voting Shares owned by the Bank*
RBC Holdings (Guernsey) Limited	Guernsey, Channel Islands	$18	100%
The Royal Bank of Canada Trust Company (Asia) Limited	Hong Kong		100
The Royal Bank of Canada International (Cayman) Limited	George Town, Grand Cayman		100
RBC Finance B.V.	Amsterdam, Netherlands	481,190	100
The Royal Bank of Canada (France)	Paris, France		100
Royal Canada Gestion S.A.	Paris, France		100
Orion Multinational Services Limited	London, England		100
Orion Multinational Services Inc.	New York, U.S.A.		100
Orpac Holdings Limited	Hong Kong		100
The Royal Bank of Canada (Suisse)	Geneva, Switzerland		100
The Royal Bank of Canada A.G.	Frankfurt, Germany		100
Intercontact GMBH	Düsseldorf, Germany		100
The Royal Bank of Canada (Belgium) S.A.	Brussels, Belgium		100
The Royal Bank of Canada (Channel Islands) Limited	Guernsey, Channel Islands		100
The Royal Bank of Canada Investment Management (Guernsey) Limited	Guernsey, Channel Islands		100
RBC Offshore Fund Managers Limited	Guernsey, Channel Islands		100
The Royal Bank of Canada Trustees (Jersey) Limited	Jersey, Channel Islands		100
The Royal Bank of Canada Trustees (Guernsey) Limited	Guernsey, Channel Islands		100
RoyCan Trust Company, S.A.	Geneva, Switzerland		100
InchRoy Credit Corporation Limited	Hong Kong		70
The Royal Bank of Canada Holdings (U.K.) Limited	London, England		100
Libra Bank Limited	London, England		11
The Royal Bank of Canada Trade Finance Limited	London, England		100
RBC Trade Finance Serviços Ltda.	São Paulo, Brazil		100
RBC Trade Finance Inc.	New York, U.S.A.		100
RBC Trade Finance S.A.	Brussels, Belgium		100
The Royal Bank of Canada Forfait Finance Limited	London, England		100
The Royal Bank of Canada Trade Credit Limited	London, England		100
The Royal Bank of Canada Export Credit Limited	London, England		100
Tennant-OFE S.A.	Paris, France		70
RBC Properties (London) Limited	London, England		100
Chancellor Investments Limited	London, England		100
Orion Royal Bank Limited	London, England		100
Orion Cayman Limited	George Town, Grand Cayman		100
Orion Royal Bank Equities of Canada Limited	London, England		100
Orion Royal Bank Asset Management Limited	London, England		100
RBC Trust Managers Limited	London, England		100
Orion Royal Bank Participations Limited	London, England		100
Kitcat & Aitken & Co.	London, England		100
RBC Kitkat Limited	London, England		100
Orion Leasing Holdings Limited	London, England		100
Orion Leasing Limited	London, England		100
Orion Factors Limited	London, England		100
Orion Finance Limited	London, England		100
RBC Systems Limited	London, England		100

Condensed Financial Statements of Wholly-owned Mortgage, Leasing and Venture Capital Subsidiaries

Royal Bank Mortgage Corporation

Statement of Assets and Liabilities *(in thousands of dollars)*	*October 31, 1987*	*October 31, 1986*
Assets		
Mortgage loans	**$12,624,718**	$7,108,930
Personal loans	**1,202,613**	967,299
Commercial loans	**579,366**	—
Other investments	**1,326,515**	486,653
	$15,733,212	$8,562,882
Liabilities		
Accrued interest and other liabilities	**$ 335,488**	$ 211,648
The Royal Bank of Canada	**1,272,540**	1,946,444
Notice deposits	**6,467,476**	—
Short-term promissory notes	**422,043**	676,563
Investment certificates		
Due within one year	**3,162,122**	2,747,682
Due beyond one year	**3,443,163**	2,635,446
Deferred income taxes	**55,628**	24,604
Preferred and common stock	**72,356**	125,657
Contributed surplus	**420,444**	152,143
Retained earnings	**81,952**	42,695
	$15,733,212	$8,562,882

Statement of Income *(in thousands of dollars)*	*Year Ended October 31, 1987*	*Year Ended October 31, 1986*
Income		
Interest on mortgages	**$ 867,835**	$673,636
Interest on personal loans	**62,292**	74,541
Interest on commercial loans	**8,262**	—
Interest on investments	**173,265**	50,907
	1,111,654	799,084
Expenses		
Interest – The Royal Bank of Canada	**172,062**	160,004
Interest on short-term promissory notes	**49,701**	66,269
Interest on investment certificates	**581,018**	483,800
Interest on notice deposits	**119,912**	—
Operating expenses	**113,648**	78,039
	1,036,341	788,112
Net Income Before Income Taxes	**75,313**	10,972
Income taxes	**31,024**	(1,074)
Net Income	**$ 44,289**	$ 12,046

RoyLease Limited

Assets		
Receivable under lease agreements	**$727,132**	$619,650
Other	**4,212**	4,894
	$731,344	$624,544
Liabilities		
Accrued interest and other liabilities	**$ 34,752**	$ 32,379
Short-term promissory notes	**141,524**	92,439
Long-term debt		
The Royal Bank of Canada	**92,537**	3,300
Other	**308,204**	354,834
Deferred income taxes	**89,220**	79,634
Common stock	**21,975**	21,975
Retained earnings	**43,132**	39,983
	$731,344	$624,544

Income		
Leases	**$79,064**	$70,903
Expenses		
Interest on short-term promissory notes	**6,893**	5,347
Interest on long-term debt		
The Royal Bank of Canada	**3,064**	1,769
Other	**35,977**	33,378
Operating expenses	**7,026**	9,829
	52,960	50,323
Net Income Before Income Taxes	**26,104**	20,580
Income taxes	**12,956**	10,249
Net Income	**$13,148**	$10,331

Royal Bank Capital Corporation

Assets		
Cash and short-term deposits	**$ 435**	$ 50
Investments	**10,464**	14,053
Other assets	**77**	242
	$10,976	$14,345
Liabilities		
Accrued interest and other liabilities	**$ 311**	$ 416
The Royal Bank of Canada	**3,813**	8,879
Common stock	**5,342**	5,669
Retained Earnings (Deficit)	**1,510**	(619)
	$10,976	$14,345

Income		
Interest and dividends	**$ 587**	$ 649
Fees and commissions	**177**	234
Gain on disposal of investments	**2,591**	211
	3,355	1,094
Expenses		
Interest – The Royal Bank of Canada	**456**	669
Operating Expenses	**770**	623
	1,226	1,292
Net Income (Loss) Before Income Taxes	**2,129**	(198)
Income taxes	**—**	—
Net Income (Loss)	**$2,129**	$(198)

Directors

as of October 31, 1987

Allan R. Taylor
Toronto
Chairman and Chief Executive Officer
The Royal Bank of Canada

A.H. Michell
Montreal
Vice-Chairman
The Royal Bank of Canada

R.G.P. Styles*
Toronto
Vice-Chairman
The Royal Bank of Canada

John E. Cleghorn**
Montreal
President
The Royal Bank of Canada

Robin W. Adam
London, England
Chairman
MEPC plc

John A. Armstrong***
Toronto
Company Director

Ian A. Barclay
Vancouver
Associate
McQuaid & Associates Consulting Ltd.

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Oakville
Chairman of the Board
Otis Canada, Inc.

Robert W. Campbell
Calgary
Chairman
Canadian Pacific Limited

Robert M. Chipman
Winnipeg
Chairman
The Megill-Stephenson Company Limited

Ronald L. Cliff, C.M., C.A.
Vancouver
Chairman
Inland Natural Gas Co. Ltd.

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Ogilvy, Renault

Camille A. Dagenais, C.C., LL.D.
Montreal
Director
The SNC Group

Mitzi S. Dobrin, C.M.
Montreal
Chairman and Chief Executive Officer
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Dublin Ltd.

John R. Evans, C.C., M.D.
Mississauga
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Allelix Inc.

Jock K. Finlayson
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Retired Chairman
The Royal Bank of Canada

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Denro Holdings Ltd.

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The Royal Bank of Canada

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Goodman, Phillips & Vineberg

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New Providence, Bahamas
Vice-Chairman
West Indies Power Corporation Limited

John A. Tory, Q.C.
Toronto
President
The Thomson Corporation Limited

W.P. Wilder
Toronto
Former Chairman of the Board
The Consumers' Gas Company Ltd.

Retiring December 31, 1987
**Joined November 3, 1987*
***Retiring January 14, 1988*

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Vice-Chairmen
A.H. Michell (Montreal)
R.G.P. Styles (Toronto)

President
J.E. Cleghorn *(Montreal)*

Senior Executive Vice-President, Credit
B.D. Gregson (Toronto)

Senior Executive Vice-President, Investment Banking & Treasury
R.C. Paterson (Toronto)

Senior Executive Vice-President, Strategic Initiatives
M.J. Regan (Toronto)

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G.J. Feeney (Montreal)
B.C. Galloway (Toronto)
J.C. Grant (Toronto)
B.V. Kelly (Toronto)
W.A.R. MacDonald (Montreal)
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E.P. Neufeld (Toronto)
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Senior Vice-President & Treasurer
G.C. Aitken (Toronto)

Senior Vice-President & Chief Inspector
J.H.E. Bolduc (Montreal)

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